

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lake Township	County Lake
Audit Date 6/30/05	Opinion Date 9/20/05	Date Accountant Report Submitted to State: 10/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

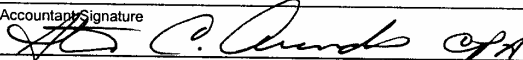
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant's Signature 		ZIP 49601	Date

LAKE TOWNSHIP, LAKE COUNTY

BALDWIN, MICHIGAN

JUNE 30, 2005

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

JUNE 30, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lake Township, Lake County, Baldwin, Michigan. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Lake Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$627,103. Of this amount, \$120,146 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$120,146 or 72.70% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and administration, public safety, public works, economic development, and other functions. The township supports no business-type activities.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$627,103 at June 30, 2005, meaning the Township’s assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Lake Township
Net Assets as of June 30,

	Governmental	
	Activities	
	<u>2005</u>	<u>2004</u>
Assets		
Current Assets	\$ 213,396	\$ 165,348
Non Current Assets		
Capital Assets	\$ 769,694	\$ 761,198
Less: Accumulated Depreciation	(244,838)	(197,856)
Total Non Current Assets	\$ 524,856	563,342
Total Assets	\$ 738,252	\$ 728,690
Liabilities		
Current Liabilities	\$ 38,506	\$ 41,950
Long-Term Liabilities	72,643	110,949
Total Liabilities	\$ 111,149	\$ 152,899
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 413,907	\$ 410,749
Restricted		
Fire Protection	49,478	47,934
Gypsy Moth Control	7,718	0
Lake Week Control	35,854	0
Unrestricted	120,146	117,108
Total Net Assets	\$ 627,103	\$ 575,791
Total Liabilities and Net Assets	\$ 738,252	\$ 728,690

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset.

At the end of the current fiscal year, the Township is able to report positive balance in net assets for the government as a whole.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

The total net assets of the Township increased by \$51,312 or 8.91% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Lake Township Change in Net Assets For the Fiscal Year Ended June 30,			
		Governmental Activities	
		<u>2005</u>	<u>2004</u>
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$	12,990	\$ 11,824
Operating Grants and Contributions		3,685	73,395
General Revenues			
Property Taxes		257,315	165,969
State Shared Revenue		57,460	59,460
Unrestricted Investment Earnings		2,134	2,269
Gain on Sale of Capital Assets		0	150
Other		1,538	14,885
Total Revenues	\$	335,122	\$ 327,952
<u>Expenses</u>			
Legislative	\$	27,912	\$ 9,421
General Government		108,923	83,814
Public Safety		120,716	114,994
Public Works		2,757	3,437
Economic Development		14,183	13,872
Other Functions		9,319	8,293
Total Expenses	\$	283,810	\$ 233,831
Changes in Net Assets	\$	51,312	\$ 94,121

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

NET ASSETS – Beginning of Year	575,791	481,670
NET ASSETS – End of Year	\$ 627,103	\$ 575,791

Governmental Activities

During the fiscal year ended June 30, 2005, the Township's net assets increased by \$51,312 or 8.91% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied operating, fire protection and fire debt service millages, this fiscal year. As a result, current property tax revenue increased by \$91,346 or 55.04%. The Township levied 0.7096 mills for operating purposes, 1.2143 mills for fire protection and 0.5000 mills for fire debt service.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public safety expenses that total 42.53% of total expenses. The Township spent \$120,716 in fiscal year 2005 on public safety expenses. General governmental expenses represented the next largest expense at \$108,923 followed by legislative at \$27,912. These represent 38.38% and 9.83% respectively. Expenses for salaries, represent a large portion of the general administrative expenses at \$48,828.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$213,196. Approximately 56.35% of this total amount or \$120,146 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

General Fund – The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$120,146. Unreserved fund balance represents 72.70% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$46,504 during the current fiscal year.

Fire Fund – The township did once again levy a fire millage on the 2004 tax roll. Tax related revenues totaled \$118,995 a 26.49% increase, for the current fiscal year.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2005 amounted to \$524,856 net of accumulated depreciation. The total increase in the Township's investment in capital assets for the current fiscal year was 1.12%.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually for the General Fund and \$5,000 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

Lake Township
Capital Assets as of June 30, 2005

	Governmental	
	Activities	
	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$ 107,196	98,700
Buildings	278,750	278,750
Machinery and Equipment	383,748	383,748
	<u>\$ 769,694</u>	<u>761,198</u>
Less Accumulated Depreciation	(244,838)	(197,856)
Net Capital Assets	\$ <u>524,856</u>	<u>563,342</u>

Major capital asset events during the current fiscal year included the following:

- ◆ Fire Department constructed a new paved driveway in front of the fire barn at a cost of \$8,496.

Long-Term Debt. As of June 30, 2005, the Township had total outstanding debt of \$110,949.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means possible further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback to 0.6932 mills for general operating purposes.

A fire millage was once again levied for the 2004 tax roll. The mills to be levied for the 2005 tax roll for fire protection are expected to be similar to 2004.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 11580 S. Star Lake Drive, Baldwin, MI 49304.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 213,396
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 107,196
Buildings	278,750
Machinery and Equipment	383,748
	\$ 769,694
Less Accumulated Depreciation	(244,838)
Net Capital Assets	\$ 524,856
 TOTAL ASSETS	 \$ 738,252
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Rental Deposits	\$ 200
Current Portion of Long-Term Liabilities	38,306
Total Current Liabilities	\$ 38,506
<u>NONCURRENT LIABILITIES</u>	
Note Payable - Building (Net of Current Portion)	\$ 26,674
Note Payable - Fire Truck (Net of Current Portion)	45,969
Total Noncurrent Liabilities	\$ 72,643
Total Liabilities	\$ 111,149
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 413,907
Restricted	
Fire Protection	49,478
Gypsy Moth Control	7,718
Lake Weed Control	35,854
Unrestricted	120,146
Total Net Assets	\$ 627,103
 TOTAL LIABILITIES AND NET ASSETS	 \$ 738,252

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
				TOTALS
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES				
Legislative	\$ 27,912	\$ 0	\$ 0	\$ (27,912)
General Government	108,923	7,315	0	(101,608)
Public Safety	120,716	0	3,685	(117,031)
Public Works	2,757	0	0	(2,757)
Economic Development	14,183	5,675	0	(8,508)
Other Functions	9,319	0	0	(9,319)
Total Governmental Activities	\$ 283,810	\$ 12,990	\$ 3,685	\$ (267,135)

GENERAL REVENUES

Taxes	\$ 257,315
State Shared Revenue	57,460
Unrestricted Investment Earnings	2,134
Other	1,538
Total General Revenues	<u>\$ 318,447</u>
Change in Net Assets	\$ 51,312
<u>NET ASSETS</u> - Beginning of Year	<u>575,791</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 627,103</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

	<u>GENERAL</u> <u>FUND</u>	<u>FIRE</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 163,918	\$ 49,478	\$ 213,396
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Rental Deposits	\$ 200	\$ 0	\$ 200
<u>FUND BALANCE</u>			
Reserved for:			
Fire Protection	\$ 0	\$ 49,478	\$ 49,478
Gypsy Mother Control	7,718	0	7,718
Lake Weed Control	35,854	0	35,854
Unreserved			
Undesignated	120,146	0	120,146
Total Fund Balance	\$ 163,718	\$ 49,478	\$ 213,196
TOTAL LIABILITIES AND FUND BALANCE	\$ 163,918	\$ 49,478	\$ 213,396

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances for Governmental Funds	\$	213,196
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	107,196	
Buildings		278,750	
Machinery and Equipment		383,748	
Accumulated Depreciation		<u>(244,838)</u>	524,856

Long-term liabilities and accrued interest are not due and payable in the current term
and are not reported in the funds.

Note Payable - Building		(37,875)	
Note Payable - Fire truck		<u>(73,074)</u>	

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>627,103</u></u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 138,320	\$ 118,995	\$ 257,315
Licenses and Permits	9,541	0	9,541
State Grants	57,460	0	57,460
Charges for Services	3,075	0	3,075
Fines and Forfeits	50	0	50
Interest and Rents	1,876	632	2,508
Other Revenues	1,451	3,722	5,173
Total Revenues	\$ 211,773	\$ 123,349	\$ 335,122
<u>EXPENDITURES</u>			
Legislative	\$ 39,037	\$ 0	\$ 39,037
General Government	99,473	0	99,473
Public Safety	500	121,805	122,305
Public Works	2,757	0	2,757
Community and Economic Development	14,183	0	14,183
Other Functions	9,319	0	9,319
Total Expenditures	\$ 165,269	\$ 121,805	\$ 287,074
Net Change in Fund Balance	\$ 46,504	\$ 1,544	\$ 48,048
<u>FUND BALANCE</u> - Beginning of Year	117,214	47,934	165,148
<u>FUND BALANCE</u> - End of Year	\$ 163,718	\$ 49,478	\$ 213,196

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 48,048
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(46,982)
Capital Outlay	8,496

Accrued interest on debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	106
Accrued Interest Payable - End of Year	0

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)

	<u>41,644</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 51,312</u></u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

LAKE TOWNSHIP, LAKE COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Lake Township reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township Board adopted an investment policy on December 19, 1999 which states the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following: Public Funds Management Accounts, Savings Accounts, Certificates of Deposit, Money Market Accounts, and US Treasury Bills.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Lake Township totaled \$69,435,868, on which ad valorem taxes levied consisted of 0.7096 mills for the Lake Township operating purposes, 1.2143 mills for Lake Township fire protection and 0.5000 mills for Lake Township fire equipment debt service. These levies raised approximately \$49,251 for operating purposes, \$84,291 for fire protection and \$34,704 for fire debt service. In addition, the Township levied special assessments for gypsy moth control and lake weed control.

3. Inventories

Inventories are not significant and are expensed as acquired.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for the General Fund and \$5,000 for the fire fund (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

<u>ASSETS</u>	<u>YEARS</u>
Land and Land Improvements	20
Buildings	50
Vehicles	10
Machinery and Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 26, 2004, or as amended by the Township Board from time to time throughout the year.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Lake Osceola State Bank, Baldwin, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$66,532 of the government's bank balance of \$219,412 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

The Township's deposits are held separately by the Township's funds. At year-end, a total of \$66,532 of the Township's \$219,412 total deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$152,880 is insured. At year-end, the carrying amount of the Township's deposits was \$213,396, and the bank balance was \$219,412.

The carrying amount of the Township's deposits at year-end are shown below:

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTAL</u>
Lake-Osceola State Bank			
Baldwin, Michigan			
Checking Accounts	\$ 463	\$ 546	\$ 1,009
Money Market Accounts	163,455	48,932	212,387
	<u>\$ 163,918</u>	<u>\$ 49,478</u>	<u>\$ 213,396</u>

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no components of deferred revenue and unearned revenue reported in the governmental funds.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 18,700	\$ 0	\$ 0	\$ 18,700
Capital assets, being depreciated				
Land Improvements	\$ 80,000	\$ 8,496	\$ 0	\$ 88,496
Buildings	278,750	0	0	278,750
Machinery and equipment	383,748	0	0	383,748
Total capital assets, being depreciated	\$ 742,498	\$ 8,496	\$ 0	\$ 750,994
Less accumulated depreciation for:				
Land Improvements	\$ 667	\$ 4,035	\$ 0	\$ 4,702
Buildings	26,838	5,565	0	32,403
Machinery and equipment	170,351	37,382	0	207,733
Total accumulated depreciation	\$ 197,856	\$ 46,982	\$ 0	\$ 244,838
Total capital assets, being depreciated, net	\$ 544,642	\$ (38,486)	\$ 0	\$ 506,156
Governmental activities capital assets, net	\$ 563,342	\$ (38,486)	\$ 0	\$ 524,856

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 9,450
Public Safety	37,532
Total depreciation expense - governmental activities	<u>\$ 46,982</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2005.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at June 30, 2005.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Lake for the year ended June 30, 2005:

Debt Payable At July 1, 2004	\$ 152,593
Debt Incurred	0
Debt Retired	<u>(41,644)</u>
Debt Payable at June 30, 2005	<u>\$ 110,949</u>

Long-term debt at June 30, 2005 is comprised of the following:

Fire Truck Contract	
\$87,250 payable to Lake-Osceola State Bank due in varying	
Installments of \$8,000 to \$30,000 through June 26, 2008,	
Interest at 3.962%	\$ 73,074
Building Loan	
\$49,000 payable to Lake-Osceola Bank due in varying	
Installments of \$2,776 to \$13,000 through February 1, 2009,	
Interest at 4.75%	<u>37,875</u>
	<u>\$ 110,949</u>

The annual requirements to amortize the debt outstanding as of June 30, 2005, including interest of \$9,324 are as follows:

<u>YEAR</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 38,306	\$ 4,694	\$ 43,000
2007	39,912	3,088	43,000
2008	30,081	1,415	31,496
2009	<u>2,650</u>	<u>127</u>	<u>2,777</u>
	<u>\$ 110,949</u>	<u>\$ 9,324</u>	<u>\$ 120,273</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Gypsy Moth Control	\$ 7,718
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Lake Weed Control	35,854
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Special Revenue Funds

Fire Fund

Fire Protection	<u>49,478</u>
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	<u>\$ 93,050</u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 48,400	\$ 81,550	\$ 138,320	\$ 56,770	\$ 110,000	\$ 110,000	\$ 118,995	\$ 8,995
Licenses and Permits	5,275	8,275	9,541	1,266	0	0	0	0
State Grants	64,805	55,655	57,460	1,805	0	0	0	0
Charges for Services	28,825	1,825	3,075	1,250	0	0	0	0
Fines and Forfeits	0	28	50	22	0	0	0	0
Interest and Rents	550	2,440	1,876	(564)	450	450	632	182
Other Revenues	1,918	0	1,451	1,451	1,000	1,000	3,722	2,722
Total Revenues	\$ 149,773	\$ 149,773	\$ 211,773	\$ 62,000	\$ 111,450	\$ 111,450	\$ 123,349	\$ 11,899
<u>EXPENDITURES</u>								
Legislative	\$ 35,801	\$ 40,152	\$ 39,037	\$ 1,115	\$ 0	\$ 0	\$ 0	\$ 0
General Government	95,376	102,641	99,473	3,168	0	0	0	0
Public Safety	400	500	500	0	159,385	159,385	121,805	37,580
Public Works	3,370	3,370	2,757	613	0	0	0	0
Community and Economic Development	17,500	17,500	14,183	3,317	0	0	0	0
Other Functions	9,200	9,320	9,319	1	0	0	0	0
Contingency	111,473	99,637	0	99,637	0	0	0	0
Total Expenditures	\$ 273,120	\$ 273,120	\$ 165,269	\$ 107,851	\$ 159,385	\$ 159,385	\$ 121,805	\$ 37,580
Excess (Deficiency) of Revenues Over Expenditures	\$ (123,347)	\$ (123,347)	\$ 46,504	\$ 169,851	\$ (47,935)	\$ (47,935)	\$ 1,544	\$ 49,479
<u>FUND BALANCE</u> - Beginning of Year	117,495	117,495	117,214	(281)	47,935	47,935	47,934	(1)
<u>FUND BALANCE</u> - End of Year	\$ (5,852)	\$ (5,852)	\$ 163,718	\$ 169,570	\$ 0	\$ 0	\$ 49,478	\$ 49,478

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2005

ASSETS

Cash	<u>\$ 163,918</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Rental Deposits	<u>\$ 200</u>
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FUND BALANCE

Reserved for	
Gypsy Moth Control	\$ 7,718
Lake Weed Control	35,854
Unreserved	<u>120,146</u>

Total Fund Balance	<u>\$ 163,718</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 163,918</u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 48,400	\$ 81,550	\$ 138,320
Licenses and Permits	5,275	8,275	9,541
State Grants	64,805	55,655	57,460
Charges for Services	28,825	1,825	3,075
Fines and Forfeits	0	28	50
Interest and Rents	550	2,440	1,876
Other Revenues	1,918	0	1,451
Total Revenues	\$ 149,773	\$ 149,773	\$ 211,773
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 35,801	\$ 40,152	\$ 39,037
General Government			
Supervisor	10,800	10,800	10,556
Election	2,220	2,220	2,080
Assessor	25,985	31,280	31,221
Attorney	4,000	4,000	2,988
Clerk	11,600	11,650	11,344
Board of Review	970	970	543
Treasurer	24,241	25,166	25,188
Building and Grounds	10,480	10,920	10,041
Cemetery	5,080	5,635	5,512
Public Safety			
Fire Protection	400	500	500
Public Works			
Highways, Streets and Bridges	3,370	3,370	2,757
Community and Economic Development			
Planning and Zoning	17,500	17,500	14,183
Other Functions	9,200	9,320	9,319
Contingency	111,473	99,637	0

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Total Expenditures	\$ 273,120	\$ 273,120	\$ 165,269
Excess of Revenues Over (Under) Expenditures	\$ (123,347)	\$ (123,347)	\$ 46,504
<u>FUND BALANCE</u> - Beginning of Year	117,495	117,495	117,214
<u>FUND BALANCE</u> - End of Year	\$ (5,852)	\$ (5,852)	\$ 163,718

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

TAXES

Current Property Taxes	\$ 98,483	
Payments in Lieu of Tax	1,244	
Penalties and Interest on Taxes	1,514	
Summer Tax Collection Fee	9,352	
Property Tax Administrative Fee	<u>27,727</u>	
Total Taxes		\$ 138,320

LICENSES AND PERMITS

Land Use Permits	\$ 2,725	
Land Division Fees	200	
Zoning Variance Applications	2,750	
Cable TV Franchise Fees	2,994	
Building Permits	500	
Other	<u>372</u>	
Total Licenses and Permits		9,541

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax		57,460

CHARGES FOR SERVICES

Sales - Cemetery Lots	\$ 900	
Grave Openings	<u>2,175</u>	
Total Charges for Services		3,075

FINES AND FORFEITS

50

INTEREST AND RENTS

Interest Earnings	\$ 1,502	
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

Pavilion Rental	320	
Oil and Gas Lease	<u>54</u>	
Total Interest and Rents		1,876
<u>OTHER REVENUES</u>		
Miscellaneous		<u>1,451</u>
TOTAL REVENUES		<u><u>\$ 211,773</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 3,000

Supplies

Office Supplies 1,917

Debt Service

Principal 11,125

Interest 1,875

Other Services and Charges

Professional Services 3,795

Contracted Services 13,867

Postage 189

Training 1,043

Dues and Fees 1,163

Printing and Publishing 51

Miscellaneous - Other 64

Capital Outlay 948

Total Legislative \$ 39,037

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 9,000

Salaries and Wages - Deputy 158

Salaries and Wages - Clerical 1,398 \$ 10,556

Elections

Personal Services

Salaries and Wages \$ 1,545

Other Services and Charges

Transportation 109

Printing and Publishing 149

Miscellaneous - Other 277 2,080

Assessor

Other Services and Charges

Contracted Services - Assessing \$ 25,291

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Software Support	4,495	
Postage	<u>1,435</u>	31,221
Attorney		
Other Services and Charges		
Contracted Services		2,988
Clerk		
Personal Services		
Salaries and Wages	\$ 9,000	
Salaries and Wages - Deputy	1,972	
Other Services and Charges		
Software Support	305	
Miscellaneous	<u>67</u>	11,344
Board of Review		
Personal Services		
Salaries and Wages	\$ 480	
Other Services and Charges		
Printing and Publishing	23	
Miscellaneous	<u>40</u>	543
Treasurer		
Personal Services		
Salaries and Wages	\$ 9,000	
Salaries and Wages - Deputy	2,680	
Other Services and Charges		
Software Support	1,913	
Postage	3,105	
Printing and Publishing	7,816	
Miscellaneous	76	
Capital Outlay	<u>598</u>	25,188
Building and Grounds		
Supplies		
Operating Supplies	\$ 260	
Other Services and Charges		
Contracted Services	5,032	
Utilities	859	

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Heat	2,161		
Telephone	<u>1,729</u>	10,041	
Cemetery			
Other Services and Charges			
Contract Services	\$ 4,950		
Utilities	257		
Miscellaneous - Other	<u>305</u>	<u>5,512</u>	
Total General Government			99,473
<u>PUBLIC SAFETY</u>			
Fire Protection			
Other Services and Charges			
Training			500
<u>PUBLIC WORKS</u>			
Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services		\$ 2,370	
Repairs and Maintenance		37	
Utilities		<u>350</u>	
Total Public Works			2,757
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning			
Personal Services			
Salaries and Wages	\$ 1,375		
Other Services and Charges			
Printing and Publishing	<u>951</u>	\$ 2,326	
Zoning			
Personal Services			
Administrator	\$ 8,350		
Deputy Administrator	2,044		

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Board of Appeals	870		
Other Services and Charges			
Transportation	131		
Training	106		
Printing and Publishing	295		
Miscellaneous	<u>61</u>	<u>11,857</u>	
Total Community and Economic Development			14,183
<u>OTHER FUNCTIONS</u>			
Insurance and Bonds		\$ 5,490	
Employee Benefits			
Medicare and Social Security		<u>3,829</u>	
Total Other Functions			<u>9,319</u>
TOTAL EXPENDITURES			<u><u>\$ 165,269</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2005

ASSETS

Cash	
Commercial Account	\$ 546
Money Market Account	<u>48,932</u>
 TOTAL ASSETS	 <u><u>\$ 49,478</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>49,478</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 49,478</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes			
Current Property Taxes	\$ 110,000	\$ 110,000	\$ 118,995
Interest and Rents			
Interest Earnings	450	450	632
Other Revenues			
Donations from Private Sources	0	0	3,685
Miscellaneous	1,000	1,000	37
Total Revenues	<u>\$ 111,450</u>	<u>\$ 111,450</u>	<u>\$ 123,349</u>
<u>EXPENDITURES</u>			
Public Safety			
Personal Services			
Salaries and Wages	\$ 23,620	\$ 23,620	\$ 23,420
Social Security	1,850	1,850	1,792
Supplies			
Office Supplies and Postage	415	615	839
Gas and Oil	2,000	2,650	2,624
Operating Supplies	12,000	12,400	12,393
Other Services and Charges			
Telephone	1,200	1,600	1,558
Heat	4,500	4,500	2,065
Training	1,200	1,200	205
Repairs and Maintenance	2,500	2,500	1,967
Contracted Services	9,600	9,600	8,498
Dues and Memberships	75	75	95
Miscellaneous	900	900	596
Insurance	13,000	13,000	12,995

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Utilities	500	500	96
MEMAC Emergency Fund	100	100	0
Capital Outlay			
Equipment	2,100	13,840	18,090
Debt Service			
Principal	42,290	42,290	30,519
Interest	0	0	4,053
Contingency	41,535	28,145	0
Total Expenditures	<u>\$ 159,385</u>	<u>\$ 159,385</u>	<u>\$ 121,805</u>
Excess of Revenues Over (Under) Expenditures	\$ (47,935)	\$ (47,935)	\$ 1,544
<u>FUND BALANCE</u> - Beginning of Year	<u>47,935</u>	<u>47,935</u>	<u>47,934</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,478</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2005

	BALANCE			BALANCE	
	7/1/2004	ADDITIONS	DEDUCTIONS	6/30/2005	
<u>ASSETS</u>					
Cash					
Commercial Account	\$ 0	\$ 2,650,736	\$ 2,650,736	\$ 0	
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 1,948	\$ 1,948	\$ 0	
Due to Other Governments	0	2,413,603	2,413,603	0	
Due to Other Funds	0	235,185	235,185	0	
	\$ 0	\$ 2,650,736	\$ 2,650,736	\$ 0	

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

RECEIPTS

Current Tax Collections	\$ 2,620,643	
Commercial Forest	71	
Penalties and Interest on Late Payments	1,605	
Property Tax Administration Fees	25,729	
Interest Earnings	855	
Overcollections from Taxpayers	<u>1,833</u>	
Total Receipts		\$ 2,650,736

DISBURSEMENTS

Payments to County Treasurer		
Current Tax	\$ 735,089	
Current Tax - State Education Tax	391,570	
Commercial Forest	71	
Penalties and Interest on Late Payments	<u>998</u>	\$ 1,127,728
Payments to Township Treasurer		
Current Tax		
Operating	\$ 45,199	
Fire	109,202	
Gypsy Moth	34,655	
Lake Weed Control	9,700	
Property Tax Administration Fee	25,729	
State Education Tax Fee	9,352	
Interest Earnings	741	
Penalties and Interest on Late Payments	<u>607</u>	235,185
Payments to School Treasurer		
Current Tax		
Baldwin Community Schools	\$ 988,972	
Mason County Central Schools	<u>53,131</u>	1,042,103
Payments to Intermediate School Treasurer		
Current Tax		230,448
Payments to Community College Treasurer		
Current Tax		13,324
Refunds to Taxpayers for Overcollections		1,833

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

Tax Adjustments	13	
Bank Charges	<u>102</u>	
Total Disbursements		<u>2,650,736</u>
Excess of Revenues Over (Under) Expenditures		\$ 0
<u>BALANCE</u> - Beginning of Year		<u>0</u>
<u>BALANCE</u> - End of Year		<u><u>\$ 0</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2004 WINTER TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County	\$ 800,992	
Township		
Operating	49,251	
Fire Operating	84,291	
Fire Debt	34,704	
Gypsy Moth	38,790	
Lake Weed Control	10,280	
Schools		
Baldwin Community Schools	1,073,627	
Mason County Central Schools	59,105	
Intermediate School		
Mason-Lake Intermediate	251,118	
College		
West Shore Community College	<u>15,117</u>	\$ 2,417,275

TAXES COLLECTED

County	\$ 735,089	
Township		
Operating	45,199	
Fire Operating	77,354	
Fire Debt	31,848	
Gypsy Moth	34,655	
Lake Weed Control	9,700	
Schools		
Baldwin Community Schools	988,972	
Mason County Central Schools	53,131	
Intermediate School		
Mason-Lake Intermediate	230,448	
College		
West Shore Community College	<u>13,324</u>	<u>2,219,720</u>

TAXES RETURNED DELINQUENT

County	\$ 65,903
Township	
Operating	4,052
Fire Operating	6,937
Fire Debt	2,856
Gypsy Moth	4,135
Lake Weed Control	580

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2004 WINTER TAX ROLL
JUNE 30, 2005

Schools		
Baldwin Community Schools	84,655	
Mason County Central Schools	5,974	
Intermediate School		
Mason-Lake Intermediate	20,670	
College		
West Shore Community College	<u>1,793</u>	<u>\$ 197,555</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2004 SUMMER TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County	
State Education Tax	\$ 416,994

TAXES COLLECTED

County	
State Education Tax	<u>400,923</u>

TAXES RETURNED DELINQUENT

County	
State Education Tax	<u><u>\$ 16,071</u></u>

134 WEST HARRIS STREET
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231-775-9789
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CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

During the course of our audit of the basic financial statements of Lake Township for the year ended June 30, 2005, we noted the following items which we feel deserve comment:

Budgeting

Pertaining to the Township's compliance with Public Acts 621 of 1978 the following item is noted:

One activity in the General Fund exceeded the budgeted amount. This overage was the result of year end audit adjustments. The overall monitoring of the budget is being handled very satisfactorily.

Condition of Accounting Records

Continued improvements in the accounting and recordkeeping of the Township books and accounts were made during the last fiscal year. We would like to compliment the clerk and treasurer for their hard work and diligence in improving the accounting records.

We would like to take this opportunity to thank the Lake Township Board for awarding our firm the audit for the year ended June 30, 2005, and to express our appreciation of the efforts put in by the various employees and elected officials of the Township. We found the cooperation and willingness to provide us the data which we requested to be positive. Should you have any questions relative to the above comments or other areas of your accounting records, please call on us for assistance.

BAIRD, COTTER AND BISHOP, P.C.

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September 20, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

In planning and performing our audit of the basic financial statements of Lake Township, Lake County, Baldwin, Michigan for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.